CHICAGO TRACTION: A STUDY IN POLITICAL EVOLUTION

By Willard E. Hotchkiss, Ph.D.,
Northwestern University, Evanston, Ill.

The geographical element which has always been at the basis of Chicago's traction problem is the division of the city into a North, a South, and a West Side by the Chicago River and its north and south branches. The area immediately back from the lake in the angle between the river proper and its south branch, occupying the extreme northern portion of the South Side, is the down-town district, the commercial center from which the city's growth has extended into the three geographical areas. The primary problem of transportation has been from the start to carry people back and forth between the three sides respectively and down-town; at this elemental stage the solution of the problem has rested. The three sides have remained both in the matter of surface and of overhead transportation essentially distinct; the need for direct communication between the sides, which inevitably arose with the city's growth, the demand for a cross-town service, in short, the urgent necessity for a unified transportation system, has never been met.

The earliest franchises were given to separate companies to operate in one or the other of the three sides. The Chicago City Railway was chartered in 1859 with both South and West Side rights. The franchises of the North Chicago Company, chartered in the same year, were located on the North Side, and in 1863 the Chicago West Division Company, chartered in 1861, took over the West Side rights of the Chicago City Railway Company.

This was the period of the introduction of the horse railway; between 1860 and 1865 some of the most important trunk lines were constructed. With the rapid increase of population and the necessity for the extension of service, the companies began to plan for an extension of their franchises. The first grants had been either

unspecified or fixed at a period of twenty-five years. In 1863 the companies succeeded in passing through the legislature a measure extending their charters to ninety-nine years. This measure was vetoed by Governor Yates, but was again taken up and passed by the legislature of 1865 and repassed over the veto of Governor Oglesby.[1]

The ninety-nine year act of 1865, the exact meaning of which was determined only by a decision of the United States Supreme Court rendered March 12, 1906, was apparently believed at the time to extend the street privileges of the companies for the full period of its duration.[2] This belief resulted in something of a political upheaval which was reflected in the Constitution of 1870 by a provision withdrawing from the General Assembly the right to grant franchises in any city without the approval of the local authorities of the city. Four years later the legislature passed the "horse and dummy act," by which all franchises were limited to a period of twenty years.

During the seventies the three companies above mentioned retained a monopoly in their respective fields. The movement toward adoption of mechanical traction did not begin until early in the eighties, and at first affected only one or two lines on the South Side, where competition had arisen with the steam roads. The successful operation of the cable, however, brought a demand for an extension of the cable service. This meant large expenditures of money which would not be undertaken with uncertain franchises. The meaning of the ninety-nine year act had never been ascertained, and its validity as a whole had been assailed. In addition to this, there was a dispute between the companies and the city over a car license of fifty dollars per year, levied by an ordinance of 1878, but never collected. But for the act of 1865 many of the franchises would soon expire; the city was anxious for an improvement of the service, and the companies desired to make their franchises secure. On July 30, 1883, a compromise was arranged which waived the whole question of the merits of the case and provided for the

[1] At a hearing upon the Müller Law before Governor Yates, the younger, in 1903 it was asserted that the Governor's father had been offered $100,000 to let the Act of 1863 become a law. The authority offered was the elder Yates' signature.

[2] The attorneys for the companies made extensive investigations of the newspapers of the time to establish before the court the intention of the legislature to extend the street privileges.

payment of the car license by the company and an extension of all franchises for twenty years from date. Franchises granted after 1883 were for the most part made to expire with the earlier ones in 1903 or soon after, although there are still a few that do not expire until 1916.

The two decades between 1880 and 1900 constitute a period of constant reorganization and readjustment both on the technical and the financial side of street railway operations. Cable traction, first introduced, as just described, by the Chicago City Railway Company, began in the late eighties to be adopted by the other companies. At the beginning of the nineties electric traction, in the form of the overhead trolley, was introduced, and long before the end of the decade was supplanting the awkward cable even where the latter was already in operation. Before electric traction was established experiments with the underground trolley, later so successfully operated in New York, were declared to have failed.[3] An ordinance prohibiting the use of the trolley in a large part of the down-town area has been set aside only piecemeal by issuing special permits for certain streets; this has been one of the influences leading to the retention of the cable in a part of that area.[4]

Financial reorganization, or, more accurately speaking, exploitation, has applied especially to the North and West Sides. On the South Side the Chicago City Railway, dominated until very recently at least, by local capital, has remained in control from the start. On the North Side the property and rights of the original company, the North Chicago City Railway Company, was in May, 1886, leased for 999 years to the North Chicago Street Railroad Company, a company incorporated and controlled by Messrs. Yerkes, Widener and Elkins. During the eighties several companies were chartered for operation on the West Side, among which was the West Chicago Street Railroad Company, which by 1888, under the domination of Mr. Yerkes, was in practical control of the other West Side companies.

The period of Yerkes' domination continued until the formation of the Chicago Union Traction Company by a group of New

[3]These experiments were inaugurated under the direction of an engineer called over from Buda-Pest, and who had helped to install a successful system in that city. While the experiments were under way the engineer was called off. It is believed that failu e was intended.

[4]Electrification of the last of the old cable lines was finally accomplished on October twenty-first.

York, Philadelphia and Chicago capitalisis in 1899. This company purchased Mr. Yerkes holdings in the North Chicago Street Railroad Company and in the West Chicago Street Railroad Company, the controlling companies respectively on the North and West Sides. The new company also obtained control through an operating agreement, of the Chicago Consolidated Traction Company, which possessed a large number of suburban lines. The Yerkes stock of the North Chicago and the West Chicago Street Railroad Companies, purchased by the Chicago Union Traction, did not in itself give the new combination control of those companies. Union Traction did, however, own a majority of the stock of the three subsidiary companies, namely, the North Chicago City Railway Company, the Chicago Passenger Railway Company, and the Chicago West Division Railway Company. The control of the whole traction situation on the North and West Sides was obtained by a lease from June 1, 1899, of all privileges and properties of the North Chicago and the West Chicago Street Railroad Companies, including their stocks in other companies.

To return to the question of franchises, the situation in the nineties was essentially as it had been in the early eighties. Capital was needed for electrification of lines; this, it was claimed, could not be secured upon franchises about to expire, or at least to be called in question in 1903. At the same time the gas companies of Chicago were seeking, among other privileges, legislative consent to a consolidation which to all intents and purposes had been consummated years before, but never legalized. The political situation seemed to be peculiarly propitious for a united legislative effort on the part of the two interests. The street railways, therefore, with Yerkes as the dominant figure, instead of negotiating with the city council, as had been done in the eighties, joined with the gas companies in persuading the legislature.

The united legislative program was embodied in the Humphreys bills. The act concerning street railways proposed to give them, together with other privileges, a fifty-year extension of all franchises granted by city ordinance. The measures were introduced with apparently good chances of success, but the absolute disregard of the public was so flagrant in the traction measure that popular demonstration interposed to defeat it. After the first defeat a new measure was introduced which simply authorized the city council to do what

the Humphreys bill had undertaken to do directly. The Allen bill, as the new act was called, went through without mishap four days after the gas consolidation act had become a law. The city council promptly refused to exercise the authority granted by the Allen law, and the 1898 election resulted in such a rebuke to those members who had supported any of the public service corporation measures that the new legislature repealed the Allen law by a practically unanimous vote.

The net result of two years of notorious legislative effort on the part of the companies was a wide-awake public sentiment arrayed in hostile opposition against them. Long continued intolerable service, coupled with unmistakable and brazen corruption could hardly fail in the end to arouse a long-suffering public. The measures of 1897 were not first offenses; they represented, rather, the flood tide of a career of boodle legislation. Earlier efforts had been more largely centralized on the city council. In 1895, the date which marked the greatest degradation of Chicago's council, it was well known that a large proportion of its membership had become an organized gang of blackmailers whose negotiations with the public service corporations were for the councilmen's own profit, and who were always ready to "deliver the goods" for sufficient compensation. The relation of the companies with members of the state legislature which, to put the case mildly, had been regarded with suspicion in connection with nearly every piece of street railway legislation, on the occasion of the Humphreys and Allen bills reached the highest stage of noisome and indecent corruption.

The public in 1898 was not inclined to exonerate its elected servants, so-called, for the part they had taken in the degradation of municipal and state politics. A large body of citizens, however, attributed the custom of buying legislatures directly to the determination of the public service corporations to secure and retain valuable privileges without giving in return any adequate compensation. However correct this analysis, the public was beginning to understand something of the nature of a franchise and to appreciate the public service element in the urban transportation industry. The hostility to the companies had been led by the best informed citizenship of the city, and its underlying causes are indispensable to an understanding of the developments in later years.

The failure of the Allen bill to result in any action on the

part of the city council, as well as the responsibility for its later repeal, is to be attributed in a large measure to the Municipal Voters' League. This organization, the fruit of agitation carried on by the Civic Federation and the Civil Service Reform Association, represents the work of a comparatively small number of active public-spirited citizens. Its activities are confined chiefly to securing and publishing accurate information concerning the character, the record and the general fitness or unfitness of candidates for public office. From the moment the Voters' League was established in 1896 the regeneration of the city council began. Within the next two years the absolute domination of the council by the public service interests was ended.

Thus far, however, the only results of popular agitation were entirely negative; franchises had been defeated and the companies, with their allies in the government, had been rebuked; but little or no progress had been made toward developing a consistent traction policy. The city was confronted by that greatest of all obstacles to a well-considered and reasonable attitude toward the public service corporations, namely, the absence of comprehensive and reliable information. It was believed that past franchises had been unfair, but until the whole financial history of the companies should be revealed no one could indicate the conditions which a fair and reasonable franchise should contain. The only source from which information could be obtained was the companies themselves, and it was not expected that they would voluntarily surrender what they had always claimed, and what public service corporations throughout the country had claimed, as legitimate business secrets.

The situation of the Chicago companies, however, in 1898 was unusual. Although the Allen law was still on the statute books, the refusal of the city council to extend franchises, as the provisions of the law permitted, was apparently final. All companies were anxious to reverse this action of the council, or at least to secure positive action of some sort. In response to an invitation of the Civic Federation in June, 1898, Mr. Yerkes addressed a public meeting and showed a strong desire to placate popular sentiment. The events accompanying and succeeding the legislative session of 1897 had not entirely failed to make an impression. Mr. Yerkes was reminded on this occasion that the public, without information, were simply playing with loaded dice, and that public demands could

be met only by opening the books of the companies to expert examination. Whether convinced by the logic of this argument, or because he saw the futility of further legislative effort along old lines, Mr. Yerkes subsequently opened the books of the North and West Side Companies to a committee of the Civic Federation, consisting of eminent citizens and public service specialists. The South Side Company followed suit, and under the committee's direction the books of the six chief companies were gone over by a professional accountant.

Briefly summarized, this examination indicated that on July 1, 1901,[5] the value of the several franchises as ascertained by subtracting the value of tangible assets from the market value of liabilities was about $75,000,000. The extension of franchises which the companies had sought would, upon this basis, by enhancing the price of marketable securities, have immeasurably increased the franchise values. Comparing the face value of the liabilities with the original cost of assets it was found that the excess of liabilities was about $62,000,000, or, compared with the market value of assets, the excess was about $72,000,000; in other words, the companies, by their various financial operations, had very nearly succeeded in capitalizing their franchises. On the supposition that a franchise is a valuable right for which full value should be given in return, this excess capitalization represented water.

The average rate of profit of the several companies for the year 1900 was found to be 14.6 per cent upon original cost, or 20 per cent on the market value of assets. Upon this basis, it was pointed out that except for watered stock, the companies would then have been in a position to pay the city 12 per cent of gross income, lay aside 4 per cent for depreciation, aside from repairs and maintenance, and still pay a 6 per cent dividend upon the original cost. Using as the capital investment the market value of assets, fares could have been lowered to four cents, a 6 per cent dividend declared and 4 per cent set aside for depreciation, even had the lowering of fares resulted in no increase of traffic.

Although it was recognized that there was no immediate possibility of squeezing out of the capitalization, water to the full amount of the stock and part of the bonds of the companies, the definite

[5] The examination proper of the Civic Federation ended January 1, 1898. A summary of results prepared by Dr. Milo R. Maltbie brought the account up to July 1, 1901.

knowledge that the water was there and how it came there was of tremendous educational value. The evidence of a persistent failure to write off depreciation, the payment of large stock dividends and bonuses to stockholders, the payment of exorbitant prices for construction and conversion of lines to companies organized and owned by the large stockholders in the traction companies—all these things simply explained and harmonized with the legislative activities of the traction interests.

With the spread of information the prospect of further franchise extension without compensation diminished. The investigation, moreover, made it possible for the city to formulate a traction policy. The question was no longer whether the city should continue to be exploited, but by what method it could best protect its interests and insure the establishment of a decent system of transportation. In all of this the companies had been thrown on the defensive; their franchises were about to expire; with the shortening of the franchise period the market value of securities was sure to decrease. With the failure of legislative ventures the companies rested their hope for extension beyond their twenty-year grants upon the ninety-nine year act which they had hitherto been chary of pressing.

Meanwhile the physical properties had deteriorated; it was evidently expected that the need of rehabilitation would be a strong argument in favor at least of another twenty-year grant. The events of the late nineties, however, had crystalized a strong sentiment against granting any new franchises whatever. Many who were not in favor of municipal ownership as an abstract principle believed that the city must at least be granted the legal right to own and operate before it could be on a favorable footing to negotiate with the companies. The street railway commission created by the partially regenerated city council in 1899 embodied this idea in a provisional act submitted to the state legislature. Again in 1901 the same idea was incorporated in a bill presented by the committee on local transportation which from that time conducted the legislative efforts of the city council. The council committee's bill, which was carefully drawn and ably supported was killed in the House committee at Springfield.

Although between 1900 and 1903 there was a strong demand for almost any sort of a settlement which would result in improved

service, and negotiations were from time to time conducted upon that basis, the out-and-out municipal ownership sentiment was all the time increasing. In the spring of 1902 the Referendum League succeeded in having the general question of city ownership of street railways submitted to a popular vote.[6] The result was nearly 143,000 for to 28,000 against. It has been claimed that a large part of this vote of five to one for municipal ownership represented simply a general feeling of hostility to the traction companies similar to that which caused the legislative landslide of 1898; it at least showed despair of a just settlement with the companies on the basis of a new franchise.

Unfortunately for the cause of municipal ownership, the local sentiment in Chicago did not extend to the state legislature. Although there was strong suspicion that the failure of the House committee to report the local transportation committee's bill in 1901 was occasioned by "undue influence" on the part of the traction interests, it was known that the brand "socialistic" had not been without influence upon some of the country members. In 1903, therefore, a somewhat simpler measure was advanced with emphasis upon the necessity for enabling legislation as an indispensable condition precedent to any even-handed negotiations between the companies and the city. Several other bills were prepared, but support finally centered on a measure mainly drafted by the secretary of the Municipal Voters' League and introduced by Senator Müller. The course of this measure, as had been expected, proved that traction influence was still strong at the state capitol.

The political situation at Springfield in the beginning of 1903 seemed to lend little hope for any measure opposed by the street railway companies of Chicago. The organization dominated by the Governor, Mr. William C. Lorimer, party boss of Chicago, and Mr. George W. Hinman, editor of the *Inter-Ocean,* which had been purchased by Mr. Yerkes, controlled the organization of the House by a bare majority, and elected a weak and pliable speaker. It was believed at the time that the speaker was definitely pledged to follow Mr. Hinman's orders in all matters concerning the street rail-

[6]On May 11, 1901, an act was passed making it possible, upon petition of ten per cent of the voters, presented sixty days before an election, to submit for vote, in order to test the sentiment of the community, any question of abstract policy. This permitted a vote upon the question of municipal ownership in 1902 although the city did not at that time possess the legal right to own and operate street railways.

ways. While the Müller bill was being urged at Springfield, the mayoralty campaign was progressing in Chicago. The Voters' League platform was indorsed by both parties, the Republican candidate was active at the state capitol in behalf of the Müller bill, and the press, with the exception of the above mentioned recognized organ of the railways, was unanimous in its support. In response to this tremendous influence the bill passed the Senate just after the election, but was scheduled by the organization for defeat in the House. A substitute measure calculated to protect the interests of the companies was reported by the Lorimer-Hinman organization committee on transportation. When the public cry for the Müller bill began to threaten a coalition between the minority Republicans and Democrats, Mr. Lorimer, who with Mr. Hinman, had taken personal charge of the situation after the Müller bill passed the Senate, called in conference the Chicago sponsors for the bill. On condition of active support on the floor of the House and the withdrawal of opposition from the press, Mr. Lorimer offered as an ultimatum to embody certain amendments in the substitute bill. The extra-legislative Chicago delegation at Springfield, including the Mayor, voted to accept the substance of the Müller bill or nothing.

The final outcome was a union of all the forces opposed to the Lorimer organization and the defeat of his substitute bill practically two to one. This success, however, was achieved only after the speaker had attempted to jam the organization measure through by refusing a roll call demanded by two-thirds of the membership of the House. Fear of personal violence was the only thing which induced the speaker to recede. The effect on the majority of the speaker's refusal to permit a roll call caused the somewhat precipitate retirement of that gentleman to his private room, from which he returned to the chair only upon assenting to a formal capitulation.

The main provisions of the Müller bill as finally approved are:

(1) Cities of the state are given power to own and operate street railways, or to lease them as the city council may see fit for a period not exceeding twenty years.

(2) No city may operate street railways (although it should own them) except upon approval of a proposal to operate by a three-fifths vote of the electors.

(3) Provision is made for the reservation in any grant or lease to a private company of the right on the part of the city to take over and operate the lines or to grant them to another company.

(4) The old frontage law, which permitted an existing company by owning land in a street traveled by its lines to prevent the entry of new companies or lines, is set aside.

(5) Renewal ordinances or grants for more than five years may not go into effect until after sixty days from the date of their passage by the city council. During this period ten per cent of the voters may demand a referendum, at which a majority vote decides whether or not the ordinance shall become effective.

(6) For the purchase or construction of lines and equipment regular city bonds may be issued, provided the issue be approved by a two-thirds vote of the electors. This provision is subject, of course, to the constitutional and statutory debt limit.

(7) In lieu of general city bonds, to meet the contingency of the debt limit of a city having been reached, cities are authorized to issue street railway certificates to an amount ten per cent in advance of the cost of the street railway properties. Such certificates are to be paid solely out of the street railway properties and their income, and are never to become a lien upon the general credit of the city.

(8) Any ordinance providing for the issue of street railway certificates becomes effective only upon approval of the electors of the city by a majority vote.

(9) The Müller act as a whole does not go into effect in any city until adopted by a majority vote of the city electors.

The Müller bill was passed on May 18, 1903. The extended franchises expired in July of the same year, and barring the ninety-nine year act, the companies remained thereafter in many of the streets only on sufferance. In the April election, 1904, the Müller law was adopted by the electors of the city by a vote of over 153,000 against 30,000. The two following provisions were also adopted as indicated:

	For.	*Against.*
Shall the city council upon the adoption of the Müller law proceed without delay to acquire the ownership of the street railways under the powers conferred by the Müller law?.....	121,957	50,807

	For.	*Against.*
Shall the city council instead of granting any franchises proceed at once under the city's police power and other existing laws to license the street railway companies until municipal ownership can be secured, and compel them to give satisfactory service?	120,863	48,200

Shortly after this election the Union Traction Company went into the hands of a receiver. Whether or not this action was voluntary is not definitely known. It is certain that the tangled legal relations between the various companies, and the mass of watered stocks and bonds bequeathed by Yerkes at the time he unloaded and got away with his profits, left the properties badly crippled. Whether voluntary or involuntary, one of the results of bankruptcy, with the legal complications involved, was to put the city at a disadvantage in any attempt to improve the service. Negotiations continued, however, with the City Railway Company, which led to the report of a tentative extension ordinance in August, 1904. The policy of the tentative ordinance looking toward ultimate municipal ownership as over against immediate municipal ownership, furnished the issue for the campaign of 1905. The election of Judge Dunne by a majority of about 20,000 over John M. Harlan, who at that time was equally objectionable to the traction interests, seemed to indicate that municipal ownership sentiment was not declining. The same indication is seen in the majorities upon the three questions submitted for referendum vote. These questions were:

	Yes.	*No.*
Shall the city council pass the ordinance reported by the local transportation committee on August 24, 1904, granting a franchise to the Chicago City Railway Company?	64,391	150,785
Shall the city council pass any ordinance granting a franchise to the Chicago City Railway Company?	60,020	151,974
Shall the city council pass any ordinance granting a franchise to any street railroad company?	59,013	152,135

The only point settled by the election of 1905 was that a majority of the votes had been cast unmistakably for municipal ownership. There was no indication of the method by which municipalization was to be achieved. The exact situation concerning the various street privileges as affected by the ninety-nine year act was not definitely known; the constitutionality of the certificate feature of the Müller law was sure to be attacked as soon as steps were taken toward financing municipal lines upon that plan.

As soon as Mr. Dunne assumed office it was clear that there was to be little co-operation between the mayor and the city council. The net result of the activities of the city government during the first year of Mayor Dunne's administration was the passage by the council on January 18, 1906, of an ordinance providing for the issue of $75,000,000 in street railway certificates to acquire and equip street railway properties. This ordinance, with two other proposals as here indicated, was voted on at the last election.

	For.	*Against.*
Seventy-five million dollar Müller certificate Ordinance	110,225	106,859
Shall the city of Chicago proceed to operate street railways?	121,916	110,323
Shall the council proceed to secure municipal ownership under the Müller law instead of passing pending franchise ordinances or any other ordinances granting franchises to private companies?	111,955	108,087

This vote, although on its face less favorable to municipal ownership than previous votes had been, adds no new obstacle to municipalization. The slight significance of the vote is seen in the relatively large majority for municipal operation; it is inconceivable that any intelligent voter, upon a clear issue, could at the same time favor municipal operation and oppose municipal ownership. The operation proposal, however, requiring as it did under the Müller law a three-fifths majority, was the only one of the three proposals defeated. This again can have at best no more than academic significance, as there exists no immediate possibility of municipal operation.

The legal situation has become considerably simplified within

the past few months. On March 16, 1906, the United States Supreme Court decided that the ninety-nine year act, while extending the corporate existence of the three companies to which it applied, did not extend their street privileges. Since the last election steps have been taken to secure a judicial decision upon the constitutionality of the certificate features of the Müller law. The lower court has already upheld the law in every detail, and the case is now pending before the Supreme Court of the State. An adverse decision would practically prevent the financing of any plan of immediate municipalization, as the present municipal debt does not permit the issue of any obligations upon the general credit of the city.

Whether or not municipalization proves practicable, the ninety-nine year act decision has placed the city in a very favorable position for dealing with the present companies. The only rights which the companies now possess are: first, the right to operate certain lines until the city shall acquire the same by purchasing the tangible property at an appraised value; and, second, the right to operate certain lines, chiefly in the outlying portions of the city, under definite term grants, most of which soon expire. As to the remainder of the system, the city has the legal right to order operation to cease at any time subject to no obligation whatever to purchase the tangible property. Whether the company in case the city exercises this right may remove the physical property from the streets has not been decided.

The improved situation puts entirely out of consideration any settlement along the line of negotiations carried on last year between the companies and the city council. It seems probable that, barring unforeseen obstacles, there will henceforth be a greater degree of co-operation than has hitherto been the case between the council and the mayor. The administration program embodied in a letter of April 27, 1906, from the mayor to Alderman Charles Werno, chairman of the committee on local transportation, has been for some time under consideration by the companies. The plan is supposed to have been formulated by Mr. Walter Fisher, special transportation counsel to the mayor, and probably one of the best informed men in Chicago upon the whole transportation situation. The plan provides:

(1) Sale to the city of all tangible property and unexpired rights at a price to be fixed now.

(2) Continued operation by the companies under a revocable license.

(3) Reconstruction of the entire system upon plans adopted by the city with the concurrence of the companies.

(4) Improved service to provide for:

(*a*) Unification of all routes.

(*b*) Through routes.

(*c*) Universal transfers.

(5) Adequate assurance to the companies of the ultimate payment for present value of properties as now fixed, and for additional investments, whenever the city takes over the lines.

(6) Fair return upon present and future investment, with some share of net profits.

(7) Remaining profits to go to the city as a sinking fund for purchase of the properties.

The companies have already agreed to the principle of this plan, and on September 27 the prices demanded for the various properties were submitted to the council committee on local transportation. The Union Traction Company has set a price of $29,294,472 upon its tangible property and $13,825,040 upon its unexpired rights; a total of $43,119,512. The City Railway Company asks $20,103,936 for its tangible property and $10,322,228 for its intangible rights; a total of $30,426,164. This makes a grand total of $30,426,676 demanded for present values. These valuations are considered much too large, and the city now has a committee of engineering experts, consisting of Mr. B. J. Arnold, Mr. L. E. Cooley and Mr. A. B. du Pont, examining the properties.

For the contingency of the failure of present negotiations, the mayor has again urged his so-called "contract plan," which was last year several times rejected by the city council. This plan contemplates the organization of a constructing company in the city's interest to proceed with construction or rehabilitation wherever the rights of the old companies have entirely expired. The company would be allowed a fair construction profit and interest on its investment until such time as the city should take over the lines, for a price agreed upon in advance. In case such an arrangement should not furnish sufficient inducement to capital, it is suggested that the investment could run for a definite term as a lien upon the property, the city having the right to take over, own, and

operate the lines subject to such lien. The other conditions would be essentially the same as those upon the basis of which negotiations are now proceeding with the present companies.

In any plan for rehabilitation the first problem which the enterprise has now to solve is that of finance. In case the present companies continue to operate, the magnitude of the problem will depend largely upon the valuation finally fixed upon for existing properties and rights. The present demands of nearly $50,000,000 for tangible properties are about $4,000,000 in excess of the highest estimated valuation fixed in Dr. Maltbie's summary of the Civic Federation report in 1901. This latter valuation of less than forty-six millions included inter-company obligations and non-productive as well as productive assets. Excluding obligations between the companies the valuation was less than thirty-five millions, and even that included a considerable amount of property fit only for the scrap heap. Although several lines have been added since that time, the older properties have greatly depreciated. It will probably not be seriously advanced that the properties as a whole have materially appreciated during the past five year period.

Evaluation of franchises is at best a rough estimate, but the demand of over twenty-four millions as compared with an estimated valuation of seventy-five million in 1901 would certainly seem not to make excessive allowance for the expiration of the 1883 extensions, the overthrow of the ninety-nine year act, and the passage and adoption of the Müller law. Whatever the present value, it is rapidly approaching the vanishing point. It seems probable that unless the companies accept a lower figure both for the tangible and the intangible properties no settlement with them will be reached.

As this paper goes to press events are happening which considerably clarify the negotiations. The legal tangles of the Union Traction interests seem to have been practically straightened out. All of the several interests involved in the various companies were, on October 18th, surrendered to the jurisdiction of Judge Grosscup's court, which it is said will adjust matters through the newly formed Chicago Railways Company. This company seems to be now in a position to negotiate with the city for the solution of the whole traction problem.

At a recent meeting in New York, at which Mr. John M.

Harlan, the defeated candidate for mayor, represented the court, satisfactory arrangements are said to have been made to secure the capital for rehabilitation. The attorneys for the companies give assurance that the plans outlined follow the principles of Mayor Dunne's letter to Chairman Werno. The principles of a revocable license upon six months' notice, of unified operation, with universal transfers, are accepted and embodied in an ordinance to be submitted at an early date to the city council. It is not possible at this writing to say what provision for the future building of subways is contemplated in the new arrangement. Negotiations seem at least to be pending on a satisfactory basis. The chief obstacles are likely to be the evaluation of present properties and the division of profits.[6]

Whether or not the developments of the last few months are in the direction of municipal ownership and operation no one can say. It is not improbable that with an improved service under the system of private operation with a revocable license the urgent demand for municipal operation would largely subside. In the present temper of public sentiment in Chicago, the continuance of decent relations between the operating company and the public powers will largely influence the trend of public opinion. It is safe to say that a policy of flagrant disregard for public interests cannot in the future be supported by the wholesale purchase of legislators and political organizations.

Many of the warmest advocates of municipal operation feel, in spite of the progress of the past few months, that the present mayor, with his almost fanatical devotion to municipal ownership as a

[6]Developments since the above paragraphs were written indicate that the legal obstacles in the way of endowing a new company with authority to negotiate for the solution of the whole traction situation have not been entirely removed. The Chicago City Railway, however, presented to the council committee on local transportation, on October twenty-fifth, an ordinance embodying the main features of the administration program. The plan contemplates the acceptance of a parallel and identical ordinance by the Union Traction Company. In case the latter company fails to accept the ordinance, the Chicago City Railway Company agrees to take both ordinances, and to establish one system for the whole city. In either case, unified operation is contemplated.

The ordinance provides for a subway system to be built by the companies in partnership with the city, the companies' investment therefore to be limited to five million dollars during the first five years. There is in the ordinance as drafted one essential restriction on the city which requires that in case the lines and equipment are purchased by the city within the first twenty years, the sale must be for cash, and the purchase must be made for the city's own use and operation. It is not unlikely that considerable changes will be made in the ordinance before it is finally passed. If the question of compensation for existing properties, and the question of the division of profits can be agreed on, other details are likely to be arranged.

principle, is himself a serious obstacle to its practical and permanent realization. The mere cry of "spoils" and "inefficient officers" should not, considering the baneful influence of party politics under private management of public utilities, determine the question of municipal, as over against private operation; nevertheless, the fundamental prerequisite to complete success in new and complicated fields of municipal enterprise is integrity and ability in the civil service. Barring the appointment of Mr. Walter Fisher and several excellent appointments on the board of education, the mayor has done little to reassure the public that under the present administration such a civil service as is needed is to be expected. The temporary suppression of the Dalrymple report, which merely emphasized the dangers to municipal ownership inherent in American political conditions, was at least an unhappy incident. Later actions of the mayor indicate a failure to appreciate those dangers; in his appointments to the most important positions, as well as in his attitude to the general problems of city government, he has seemed unable to free himself from the traditions of the organization politician.

To the person without theories concerning public or private ownership it seems to matter little whether the present agitation leads to municipal ownership and operation or not. The significant fact for those who are compelled to endure the transportation facilities now available is that some measure of substantial improvement is among the possibilities of the near future. By whatever method improvement comes, there seems to be little danger that the element of public service will be ignored.

On the other hand, there are few who believe that a really adequate service can be established by the rehabilitation and the unification of existing lines. The mere question of surface space in the down-town area presents a serious if not unsurmountable obstacle—an obstacle which even the unification of all surface and elevated lines would not remove. Such unification is not contemplated by any present plan. A number of excellent citizens who have interested themselves in the transportation problem from the start believe that the subway loop furnishes the only possibility of solution; they even go so far as to refuse co-operation in any other plan. In this connection, the lowering of existing tunnels under the river which has now been directed by federal statute, was repeatedly

deferred in the hope that the new tunnels might be made a part of a comprehensive subway system. All of these physical elements in the problem will doubtless postpone the establishment of a really complete system of rapid transit long after the present financial problems have been settled.

Questions of engineering and finance which the city government and future city governments will have to face are of tremendous importance to citizens of Chicago; beyond that they will be of scientific interest merely to engineers and to students of municipal institutions. To the importance of the social and political element in the history of Chicago traction during the past decade, no such limitations can be imposed. Though companies under one management continue, as far as fares are concerned, to be operated as separate lines, though the entire service is disconnected, inadequate and in every way indescribably bad, even though the present schemes for improvement should fail, it would still remain true that the situation has been unmistakably and immeasurably improved by the general public uprising.

Far more important than the positive hardships, even than the moral dangers, which the present miserable facilities entail; overweighing any academic contest between the policies of public and private ownership; not to be compared with the derived question of individualism or socialism—terms which for practical purposes are mere catch words denoting different degrees of the same thing—more fundamental than all these are the questions of citizenship. The expediency of adopting private or public ownership will depend very largely in every concrete case upon the probable influence of the one system or the other toward developing or discouraging, in the whole body politic, the highest type of citizenship. With active, able, unselfish, public-spirited citizens, utilities once recovered can be successfully operated under almost any system; in the absence of such citizens no system will adequately subserve the public interest.

Though Chicago has hardly more than started in the direction of wise and efficient government, the rebukes which decent citizens have repeatedly and persistently administered to a body of men and interests organized for plunder, have laid a foundation which will remain. The few men who have been instrumental in rescuing and regenerating the city council, who through various organiza-

tions have called the whole body of citizens to protect the interests of the public—these men have demonstrated in a way that cannot be misunderstood that democracy and citizenship are still vital forces in American public life. This is the incident in the relation of the public to the street railways of Chicago which will be of abiding importance.